

stronger evidence we could have shown of our disposition to avoid, as far as possible, all allusions of a personal character, and regret that we have been compelled by his communication, to say as much as we have felt bound to do in vindication of the course which has been pursued by the stockholders and agents, (with a single exception,) and to show the true reasons for the attack which he has seen fit to make upon the majority of the State's agents.

All which is respectfully submitted,

TENCH TILGHMAN, } State's
SAMUEL SPRIGG, } Agents.

ANNAPOLIS, March 4th, 1848.

[Document U.]

BY THE HOUSE OF DELEGATES,

March 7th, 1848.

Read and ordered to be printed.

REPORT

OF THE

COMMITTEE ON WAYS & MEANS

IN RELATION TO THE

FINANCES OF THE STATE.

REPORT.

The Committee on Ways and Means respectfully Report :

That it is with great pleasure they communicate to the House, as the result of their investigation of the Finances of the State, that the affairs of the Treasury are now in a sound and flourishing condition, and that the prospects for the future are such as to warrant the most entire confidence, that the credit of the State of Maryland will be sustained above reproach or suspicion.

For some years after the time when the people of this State, and their representatives here, had realized the fact, that a heavy debt was pressing upon them, the interest on which it was necessary to provide by taxation in order to preserve to honor of the State, the reports of the committees on Ways and Means were occupied with proposing and defending various schemes for increasing the revenue, at the same time expressing a hope, that the day would not be distant when means would be fully provided for complying with the obligations of the State. More recently, when the laws which had been passed for the purpose, were bringing their tribute into the Treasury, the reports of the committees arrayed facts and arguments to prove, that the State was in a condition to declare, that she would in future pay with certainty and regularity the interest due to her creditors. Happily for the honor of Maryland, the last legislature fixed by law the first day of January of the present year for the resumption of the regular payment of interest, and provided for funding the arrears of interest previously due.

The regular annual receipts into the Treasury now greatly exceed the amount of expenditures, including the interest both on the main public debt and the funded arrears; the revenue both from direct and indirect sources is steadily increasing; while in addition to the surplus referred to, the sinking fund is in full operation, and annually reduces, by a largely increasing amount, the mass of the Public Debt.

It is no longer necessary for the committee on Ways and Means, to propose additional taxes, or to urge the Legislature to the performance of an act required by the principles of justice and honor. It is rather their part to give assurance, that previous legislation has been completely successful in rescuing our State from her position of apparent insolvency; and that nothing more is necessary to maintain her credit unimpaired for the future, than the cheerful and prompt payment by the people of the taxes already imposed. It is their duty, also to show, that with such action on the part of the people, every year will greatly lessen the principal of the public debt, and that, if the present laws remain un-repealed, the entire burden will be removed within a period of time much shorter than has generally been supposed.

Of the disposition of the people faithfully to comply with the engagements of the State, and to contribute freely of their means to effect this purpose, no one now pretends to express a doubt. Upon this subject, indeed, the people of this State have always been sound; and if in some particular localities there seemed at first to be a faltering, it was because, in the suddenness of the emergency, the honest men of the community did not at once recognise their own strength, and, deceived by the clamor of a few, apprehended a force in opposition, which did not in fact exist. The cause of State Faith was soon triumphant, and now, entirely removed from the sphere of party, unites in its support the whole community.

The report of the Treasurer shows the various sources of revenue with all the receipts and expenditures of the State during the past year; and the committee do not deem it necessary to go into a minute examination of the items, in order to frame a detailed estimate for the future. It may be well, however, to make a summary statement of the present condition of our finances, and to give the general deductions drawn from the Treasurer's report.

The committee on Ways and Means at the last session of the Legislature estimated the annual receipts (exclusive of the Tobacco Inspection and Colonization tax) at \$976,000, and the expenditures, including all the interest to be paid by the State after funding the arrears, at \$923,000; showing a clear surplus in each year of more than \$52,000. The last year has proved, that the estimate of receipts was too small, and that of the expenditures too large. The excess of the actual receipts over the estimates was upwards of \$319,000; but this excess includes a large amount of direct taxes paid in 1847, which, if the privilege of paying with coupons had continued, would have come into the Treasury during the present year. It is necessary, therefore, to analyse the account, in order to ascertain what is the regular and natural increase of the yearly receipts.

Laying aside, for the present, the direct taxes, we find, that the revenue from other sources, payable always in cash, and, therefore, not at all affected by the Coupon system, exceeded the estimate of the committee for the same sources, by about \$54,000; and when

we consider, that almost all the items in this account necessarily increase with the increasing wealth and prosperity of the country, there certainly can be no apprehension that future years will bring us less than the past. Extraordinary casualties, may, of course, for a single year interrupt this progress, but if such interruption occur, it must, in the nature of things, be only temporary.

The law taxing the commissions of executors and administrators, must yield considerably more to the treasury than heretofore; and, indeed, several years yet must elapse, before it takes effect on the whole mass of personal property, which in the course of a year passes into administration. The law relating to Collateral Inheritances has not been effectual, so far as the collection of the tax on real estate is concerned, and it is anticipated that a considerable increase of revenue will be derived from the supplement already passed by the House of Delegates, which provides a mode of ascertaining the real estate subject to the law, of appraising its value, and securing the collection of the tax. The new lottery contract, also, adds a certain annual sum of upwards of \$11,000 to the amount received on the same account in 1847.

From the Internal Improvement Companies, we have reason rather to anticipate an increase than a loss of revenue, when they are considered in the aggregate. For, though no dividend, except in additional stock, can be expected from the Baltimore and Ohio Rail Road Company for a number of years, yet the increased trade and the economical management of the Susquehanna Rail Road, will more than supply the deficiency, if any judgment can be formed from the returns of last year. If the individual stock holders of the latter company and other persons interested in the trade of Baltimore, should succeed in raising the means for forming a rail road connexion with the Central Road of Pennsylvania, the State may confidently expect a largely increased revenue from the source here indicated.

It is understood that the Chesapeake and Ohio Canal, for whose benefit has been incurred the larger portion of the debt which is at present a burden upon the people of Maryland, is now in the course of completion, and, it is supposed, will be finished within a period of two years. Soon after that time, unless the friends and advocates of that work have been wildly extravagant in their calculations, the State must realize from it a considerable revenue, and thus at last receive some return for the vast amount of money that she has lavished on its construction.

Turning now to the Direct Tax, we find that the last year's report of the committee estimated, that it would yield annually the sum of \$500,000; in making which estimate, a considerable allowance was no doubt made from the gross amount accruing for loss upon collections. Since that report was published, the new assessments in the city of Baltimore have increased the basis of Direct taxation by \$14,471,235, making an annual addition to the State's revenue of \$36,175.

The items now included under the head of Direct Tax, are as follows:

The levy placed in the hands of collectors,	\$479,400
The tax on stock, of Banks and other Corporations,	30,300
“ State stock, about,	30,000
“ City stock,	10,300
“ Officers, about	10,000

Making a total of	<u>\$560,000</u>
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The return of balances in the hands of collectors, made by the Treasurer in compliance with an order of the House of this session, shows, that the ultimate loss to the State on any one year's taxes is considerably less than 5 per cent., and if an allowance of even so much is made for loss, we may expect to receive from this source the sum of \$532,000.

The account of our revenue, then, made up from the actual receipts of last year, together with the ascertained result of the assessment in Baltimore, and of the lottery contract, stands thus:

Estimate of the committee of last year,	\$976,000
Excess in actual receipts from indirect sources,	54,000
Addition from Lottery contract,	11,000
Increase in the Direct Tax,	32,000

Making the total average receipts for a year,	<u>\$1,073,000</u>
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It has been already stated that last year's estimate of the expenditures has proved to have been too large. The ordinary expenses were rated at \$200,000, but the Treasurer's report shows that they reached but \$180,288 in the year 1847; and the incorporation of the biennial session law into the constitution will have the effect of deducting a further sum of \$25,000 a year; so that, for the future, the sum of \$160,000 is a full estimate for this account. Besides, it was supposed that the amount of the arrears to be funded would equal \$1,200,000, the interest on which would have been \$72,000; but the immense payments made in coupons during last year have reduced the principal to be funded to about \$900,000, and the interest, of course to \$54,000.

The total expenditures, as estimated last year, were	\$923,000
The saving in ordinary expenses, is	\$40,000
“ interest on arrears,	18,000
	<u>\$58,000</u>

Showing the total annual average expenditure to be	\$865,000
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which deducted from the annual revenue, before stated as \$1,073,000, leaves a surplus of \$208,000 in the nature of a Sinking Fund, to be devoted to the extinguishment of the State Debt.

Nothing surely could be more gratifying to every lover of his native State, than to find that she stands in so safe a position as regards the preservation of her credit, and that such flattering pros-

pects are now opened before her, of an early and honest relief from the pressure of her obligations. To those who are familiar with the operation of compound interest, it will at once be evident how rapidly the whole public debt will be absorbed by the application of a surplus of \$200,000 a year to the purchase or redemption of State stock. And when it is remembered, also, that the Sinking Fund proper is now \$1,642,934, the interest on which, even now amounting to nearly \$90,000, is invested annually in State Stocks, it may be stated with absolute certainty, that if the tax laws now on the statute book remain unrepealed, and even if the revenue derived from them, and from the public works, does not hereafter increase at all beyond the present receipts, the whole of our debt will be discharged in less than twenty years. But the proceeds of the present taxes must increase, as they have increased from year to year, and the Rail Roads and Canals to which the State has so largely advanced her credit, will inevitably become more productive, not only directly, by the payment of dividends, but indirectly by promoting the accumulation of wealth and adding to the value of property. No one can be blind to the rapid progress that is everywhere apparent in this country, and no one is bold enough to predict all that his experience and reason teach him to believe in regard to the future.

In this connexion, it may not be amiss to say, that the immediate and rapid prosecution of the Rail Road to the Waters of the Ohio is of vital importance to the prosperity of this State; and that the suspension for a few years of the small dividends heretofore received into the Treasury from this source, is a matter of but little moment, when compared with the immense increase of trade and wealth to the community, and of revenue to the State, consequent upon the early completion of that great work.

There is some reason to apprehend that the actual amount of the debt which is a burden upon the people of this State, is greatly exaggerated in the minds of many persons, and that the nature and operation of the Sinking fund are neither well nor generally understood. It is a mystery to a great number, how it can be said, that we shall get rid entirely of our debt by a designated period of time, whilst the annual account constantly presents an undiminished amount of principal. It may not be out of place in this report, to make a brief explanation in regard to this subject.

The amount of bonds and stocks constituting the nominal debt of the State of Maryland, inclusive of all the arrears of interest to be funded, is \$16,175,062. But of this, bonds for \$3,200,000 are in the hands of the Baltimore and Ohio Rail Road Company, and the interest on them, in case they should ever be used by that Company, is secured beyond all danger, because the immense receipts of the road are, in that event, according to the late decision of the Court of Appeals, to be first applied to the payment of that interest, in preference to the extension, construction, or even repairs of the road. The State, also, holds in the Baltimore and Ohio Rail Road and the Washington Branch stock amounting to \$1,050,000,

from which she has received yearly, including the capitation tax, a much larger sum than the interest to be paid on the bonds issued by her to pay her subscriptions; and even without the dividends on the main stem, the State would still receive more than sufficient to cover her own liability on this account. The interest on \$1,000,000, loaned to the Susquehanna and Tide Water Canal Companies, it may now be safely said, will be fully provided for out of the receipts into the Treasury from those companies; and that due on \$148,000 borrowed on account of the tobacco warehouses, is secured by the proceeds of inspections. These items together amount to \$5,348,000, the interest on which need not be provided for by taxation. This sum deducted from \$16,175,062, the nominal amount of principal as stated above, leaves \$10,827,062 as the amount of public debt, the interest on which must be paid by taxation. But of this latter amount, \$1,642,934 is held by the State herself, under the name of the Sinking Fund, the interest on which is annually appropriated to the purchase of a further portion of the State stock or bonds. Deducting this from the \$10,827,062 it will appear, that the sum of \$9,184,128 were now in the Treasury it would pay off all the debt of the State, for the interest on which it is necessary to lay taxes upon the people.

The Sinking Fund, indeed, is only so much extinguished debt, and so much of the annual revenue as had been previously devoted to the payment of the interest of such debt, is applied, under the name of the interest of the Sinking Fund, to the extinguishment of a further amount of the debt. There is, in fact, no difference between this operation and the application of surplusses to the purchase of bonds or stocks to be destroyed or cancelled. Thus it will be seen, that if, instead of constantly stating the whole amount of stocks and bonds issued by the State, as the present amount of her debt,—the original amount should be so divided, as to show how much is in the hands of creditors, and how much has been extinguished by the operation of the Sinking Fund, it would be understood at once by every one, how rapidly we are relieving ourselves by the regular payment of taxes from the burden of our debt. Thus, on the 1st of December, 1846, the Sinking Fund was \$1,515,227, and on the 1st of December, 1847, it was \$1,642,931; and the difference of \$127,707, shows the decrease of the public debt in the last fiscal year, and when, as will be the case after the present year, it becomes prudent to devote the annual surplusses, beyond the interest of the Sinking Fund, to the purchase or redemption of stock, the annual decrease of the debt will be still more striking.

After the debt has been considerably diminished by the operation of the surplusses referred to, and when the public works, which have heretofore been unproductive, begin to swell the amount of the State's revenue, it will be for future legislatures to determine, whether, and to what extent, the taxes shall be removed. For us, it is enough to know, that if the taxes already imposed are regularly paid, as we cannot doubt they will be, all our financial difficulties are at an end.

So far the committee have called attention to the general condition and receipts of the Treasury, without making special reference to the peculiar circumstances which affect the revenue of the present year. It is well known that a great portion of the direct tax, which in the ordinary course of things would have come in during the year 1848, was brought into the Treasury before October, 1847, on account of the privilege of paying with coupons, which terminated on the first of that month. The excess thus paid was about \$250,000, and by so much, if there is no further legislation on the subject, will the receipts on account of the Direct Tax be deficient in the present year, after which the full amount will be again regularly realized to the Treasury. It has been shown, that the total annual average revenue will exceed the expenditures of a year by \$208,000, which would nearly cover the deficiency stated above; but in addition to this, there was an actual cash balance in the Treasury on the 1st of December last, the beginning of the fiscal year, of \$328,499, which of itself, regardless of any surplusses, is far greater than the deficiency. According to the estimates made by the Treasurer on the 5th and 9th pages of his report, the receipts of the year will be \$838,392, which added to the balance in hand, gives \$1,166,891, as the means of the State for paying her whole expenditures for the year, amounting according to his estimate on page 10th, to \$920,201; so that on the 1st of December, 1848, we should still have a balance of \$246,690, in the Treasury. It is true that the expenditures of the State are not equally distributed through the year, and that the heavy payments do not correspond in point of time with the largest receipts into the Treasury; but if at any time a temporary difficulty should occur from this cause, the resumption act amply provides for the emergency.

It is clear then, that there is no reasonable ground for apprehension; and we may rather congratulate ourselves that so large an amount has been paid in coupons, for the effect has been, to decrease the anticipated amount of funded debt by nearly three hundred thousand dollars. It had been assumed, that the arrears funded would reach \$1,200,000, but the return of the commissioner of loans shows that \$910,000 is the whole amount of the arrears unpaid. By the sixth section of the resumption act, it is provided, that all surplus moneys in the Treasury, beyond the expenses of the State, should be applied to the purchase or redemption of the arrear stock, and the large payment of coupons in advance has for the present year effected the very purpose desired, in the simplest possible manner.

It is not desirable, however, that there should be so great a disparity between the amount of direct tax paid in the present year, and in the years previous and subsequent; and the committee have reported a bill, one great purpose of which is, to prevent such disparity, by bringing a large portion of the taxes of 1848 into the treasury in the course of the year, while, at the same time, the receipts of no future year are shortened. By that bill, it is proposed,

that on all taxes paid before the first days of September, October, and November, respectively, of the year for which the taxes are due, abatements shall be made of five, four and three per cent, respectively, on the amount of the said taxes, with provisions securing the prompt payment by the collectors into the Treasury, on pain of losing the amount of deduction which they are obliged by law to allow the tax-payers. It is believed, that while a clear saving will be thus ensured to the tax-payers generally, no loss will result to the State, because the taxes will be brought in at a much earlier day, and the prompt and efficient collection secured by the law will save much that might under the present system be lost in the course of collection. But in addition to this provision, it is proposed by the law to enforce the collection of the whole direct tax by the first of April of the year following that for which it is levied, instead of by the first of October, as at present, thus gaining six months to the State, and the taxes are also declared to be in arrear on the first of January of the year following that for which they are levied, and interest is made payable from that date. Thus the State is doubly secured against any loss from the deductions allowed, while the tax-payer may, if he is prompt, be at once relieved of a portion of his burden.

In the same bills are numerous provisions, carefully framed, for the purpose of rendering more effectual the present system of collections and assessments. No new subjects of taxation have been introduced, and no further tax has been imposed, but it is believed, that the bill reported will, if passed, have the effect of increasing considerably the public revenue by affording methods of bringing to light a great deal of property, which, though already liable to taxation, has escaped entirely, on account of the defects of the present laws. It is unnecessary to say, that every effort should be made to distribute the burden of sustaining the credit of the State, as equally as possible over all the property within her limits, and that each man will more cheerfully pay his own proportion, if he is assured that all others are obliged to do the same.

The propriety of making a general re-assessment of the property of the State has been brought before the committee; and although there are many reasons of great weight which might seem to make such a measure at present desirable, yet the committee have come to the conclusion, that it is better to postpone any action upon this subject. We have just commenced the regular payment of interest upon our debt, the receipts from all sources are abundantly sufficient to comply with all our obligations, and it is not advisable that there should yet be any agitation of the public mind in relation to a new apportionment of the burden, which is now so cheerfully borne. The committee have little doubt, however, as far as they can now see before them, that it will be for the advantage of the State, and promote the equality of taxation, if a re-assessment is ordered by the next legislature.

All which is respectfully submitted,

TH: DONALDSON, Chairman.

[Document V.]

BY THE HOUSE OF DELEGATES,

March 8th, 1848.

Read and ordered to be printed.

REPORT

OF THE

COMMITTEE OF THE HOUSE OF DELEGATES,

ON THE

LIBRARY.
